

ENTERPRISE PROMOTION THROUGH A RETURNABLE GRANT PROGRAM



CONTENTS

Executive Summary...	1
Project Overview...	2
Project Objectives...	3
Implementation...	4
Learnings...	7
Way Forward...	15
Photos From the Field...	16
Case Studies...	18
Fund Flow...	20

EXECUTIVE SUMMARY

Enterprises can struggle to receive the capital they need in the rural pockets of south Rajasthan we work in. Informal credit can present terms that cause dispossession and debt cycles that trap families for years, and many find it difficult to understand and manage debt in general. We decided to deliver a returnable grant for the promotion of rural entrepreneurship, and sought to create enterprises that could deliver sustainable economic upliftment in the community. Such help is of particular significance in the migrant communities we work with: means for livelihood that can present the option of not migrating can bring significant relief to many. In the first phase (of three) of the program, we reached 120 families. We disbursed 35,000 rupees on average, across means of livelihood ranging in domains ranging from agriculture and construction work to digital enterprises. On average, we found that an incremental increase of 1347 rupees was created in monthly incomes after the infusion of the grant. We found that incomes were expanding in both new and pre-existing enterprises, and also that enterprises were going on to become a source of heavy reliance for income generation. We also saw very encouraging repayment behavior, wherein 96 percent of beneficiaries repaid the grant money either on time or in advance. It however remains important to continue to monitor and supply skills and training where necessary, and also to allow efficiencies to build over time.

PROJECT OVERVIEW

The credit landscape in rural south Rajasthan is marked by the widespread presence of moneylenders who impose exorbitant interest rates and unfair terms, along with inadequate access to formal credit. Particularly in the migrant communities we work with, the success of an enterprise can become the difference between needing to migrate or not. Moreover, it can also be the difference between young children taking on work too early and older family members continuing to work after a point where they should not, or not.

Potential entrepreneurs can however be discouraged from attempting to execute entrepreneurial ideas, and existing entrepreneurs can find it crushingly difficult to sustain or expand their businesses. With the availability of credit that is enabling, potential for entrepreneurship that would go unexplored otherwise can be more thoroughly brought out.

There then exists a gap between the availability of credit and the real need for credit to support entrepreneurship. We sought to provide a returnable grant option to create the availability of credit that can support the potential for entrepreneurship as it exists in rural South Rajasthan.

PROJECT OBJECTIVES

Through this program, we are planning to reach around 120 families and provide returnable grants of INR 20,000 to 50,000, depending on the demand assessment. This shall be repaid in monthly installments, depending on their repayment capacity. Wherever possible, these entrepreneurs will be coached and trained on digital payments so that they can make payments easily and also get experience on digital payments. This shall encourage them for better use of banking facilities and integration of informal businesses with formal financial institutions.

Credit under the returnable grant provision was provided under a predetermined set of purposes:

- **Purchase of Fixed Assets:** Several rural entrepreneurs who have started their business with some services are unable to fully leverage their skills or potential demand due to absence of particular machinery, equipment and tools. It was expected that they could utilize the returnable grant to purchase such assets.
- **Working Capital:** Due to insufficient stock there can be a possibility of loss in business opportunity. It was expected that the returnable grant would support maintaining stock availability to help in meeting the full scope of demand.
- **Honoring Larger Contracts:** Some entrepreneurs are self-employed in the service industry as contractors and need money to execute bigger contracts. It was expected that the returnable grant would help such entrepreneurs avail short term financing.
- **Business Diversification:** Another method to expand business for earning better profits and minimizing risk is diversification. It was expected that the returnable grant could also be availed for such use.
- **Agriculture & Allied Enterprises:** Given the majority of households are involved in agriculture and allied activities and are skilled at it, even with small investments and an enterprising approach, the potential for income generation can be better explored. It was expected that the returnable grant could be provided for such use as well.

IMPLEMENTATION

Through this program we reached 120 families and provided returnable grants ranging from INR 20,000 to 50,000, depending on an assessment of demand. This was also repaid in monthly installments, depending on the repayment capacity of the beneficiaries.



Beneficiaries belonged rural regions surrounding Udaipur

A vast majority of those we serve belong to tribal communities, and a majority of beneficiaries belonged to the scheduled tribes category:

Table: Caste Categorization of Beneficiaries

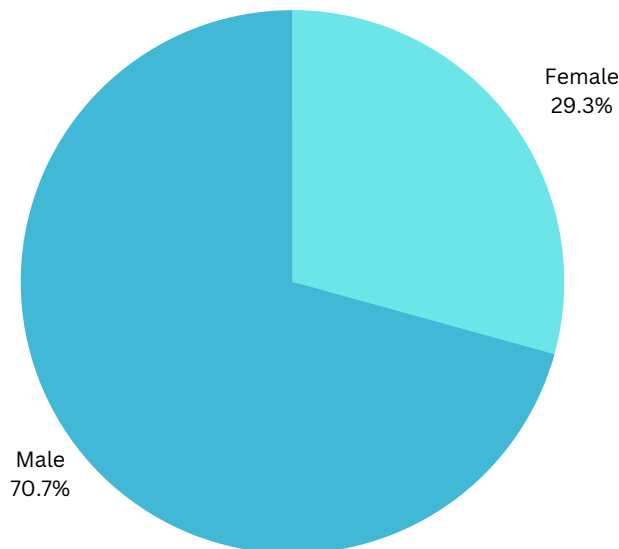
ST	78.33%
Undisclosed	10.83%
SC	5.00%
OBC	4.17%
Others	1.67%

Entrepreneurial willingness was found most dominantly in the 30-49 age group. However this is also the age group where some experience has been acquired, and we treated such experience as important during beneficiary selection. Further, while the distribution of gender was skewed towards males, we also found instances where the females in the house were showing participation in enterprises males took on, as the demands of enterprises grew.

Table: Age Distribution of Beneficiaries

Age Bracket	Number of Beneficiaries
20-29	18
30-39	54
40-49	39
50-59	9
Total	120

Chart: Gender Distribution of Beneficiaries

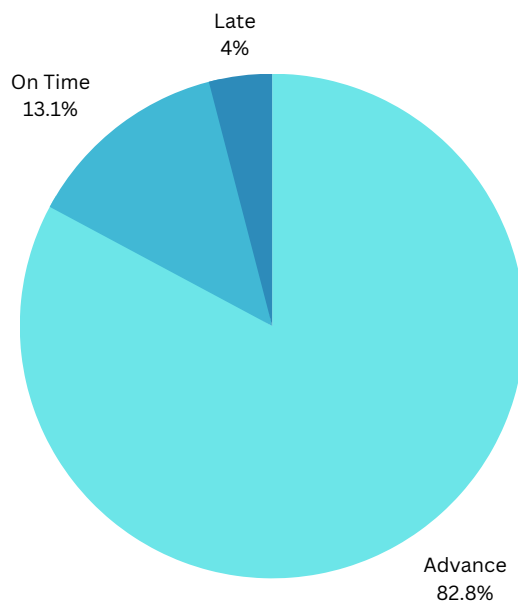


The pace of disbursements was not constant, however this was done in order to ensure demand that is truly natural was recognized. We encountered instances where a potential entrepreneur would have the inclination to start an enterprise, but would have no plan. It would then be important to first have them go back and make a plan, and then to have them go back and refine their plan. Repayment behavior has been encouraging. Indeed, when credit on terms as easy as a returnable grant is offered, there exists a sense of added responsibility in those impacted.

Table: Pace of Disbursement

Month	Number of Disbursements
Nov-22	24
Dec-22	41
Jan-23	14
Feb-23	41
Total	120

Chart: Repayment Behavior



LEARNINGS

*Table: Progress of New Enterprises**

Type of Business	Average Current Household Income	Average Current Enterprise Income
Goat farming	14,625	2,041**
Kirana Store	12,666	1,000
Juice/Refreshments Shop	14,000	1,500
Small Flour Mill	12,600	750
Small RCC (roofing) set-up	15,000	2,000
Vegetable Shop	12,000	2,500

With new enterprises, we were able to see both enterprises that were not even started (5 of 120) and enterprises where incremental income began to make significant contributions to a household. It however remains crucial to continually monitor and train any new enterprises. With enterprises that had existed before the intervention, we saw a range of skills in need of support. We also saw that these enterprises were a significant source of income for households. Their maintenance and upgradation can mean other members of a household are given the chance to acquire skills as well in many cases then (while we've seen such examples already).

***All figures represent monthly amounts for 50 families surveyed post intervention*

***Income generation from goat farming is a long term pursuit, with each female goat producing 3 children in 2 years. Though gains from the investment made remain unrealized currently, in a year they will create the equivalent of 2,041 rupees of income a month.*

*Table: Progress of Pre-Existing Enterprises**

Type of Business	Average Change in Enterprise Income	Average Percentage of Household Income from Enterprise (Before Intervention)	Average Percentage of Household Income from Enterprise (After Intervention)
Bike Repair Shop	1,950	100%	100%
Digital Enterprise	2,000	95%	94%
Kirana Store	1,014	40%	42%
Agriculture and Allied Activities	1,283	69%	71%
Electronic Repair Shop	2,000	69%	80%
Garments/Tailoring Shop	733	100%	100%
Juice/Refreshments Shop	1,225	30%	31%
Marble Polishing	2,000	100%	93%
Small Building and Material Supplier	1,000	87%	87%
Small Flour Mill	1,500	24%	30%
Small Tent and Decoration	1,800	100%	80%

**All figures represent monthly amounts for 50 families surveyed post intervention*

The net additional income generated in the last month, on average, for all the pre-existing enterprises surveyed was 47,250 rupees and 20,164 rupees for all new enterprises surveyed. Extrapolated over the entire population of 120 beneficiaries, the net additional income generated in the last month has been 1,14,187 rupees for all pre-existing businesses impacted and 47,529 rupees for all new enterprises impacted. This has been a total additional income of 1,61,716 rupees in a one month timeframe, across 120 families. The impact we can create with the rest of the program is encapsulated below. However, inputs such as greater selectivity in beneficiaries and the effects of efficiencies gained over time can mean the impact will increase.

Table: Incremental Income Generation

Available Amount as Grant	80,50,000
No of Person (Direct Impacted)	1,150
Average Incremental Income Per Family (Monthly) (Per 10,000 rupees of the grant)	384
Incremental Income (after full utilization of Grant) (Monthly)	3,09,120
Incremental Income (after full utilization of Grant) (Annually)	37,09,440
Incremental Income (after full utilization of Grant) (Five Years)	1,85,47,200
Incremental Income (@80% Success Rate)	1,48,37,760

Table: Interest Burden Avoided

Average rate of interest (Chargeable in market)	30%
Interest Saved (Monthly)	2,01,250
Interest Saved (Yearly)	24,15,000
Interest saved (Over period of 5 years because of this program, efficiency - 80%)	96,60,000

UNCERTAINTY IS A GIVEN

Devu used to migrate to Ahmedabad to work in construction, but had gradually lost the physical strength to continue to migrate. It is common for this consequence to often arrive by the age of 45 for migrants, who often begin such work around the age of 14. While his son travels to Ahmedabad to work in construction and his wife either takes on NREGA work or cleans other people's fields as and when such work becomes available, the family's monthly income was 9,000 rupees. The family's own field is situated 1 kilometer away from where they stay, and is in scattered pieces. While they grow wheat and corn on their own field, the output is only enough to take care of the family's own needs. Moreover, it was infeasible to grow vegetables in a field that was this far away. Not only do vegetables require repeated care that need multiple visits in a day, they also require consistent surveillance against theft. With the money from the returnable grant, Devu was able to rent a field nearby for five years. He paid 15,000 rupees for this entire period, and used the rest of the 25,000 rupees to procure the raw material he would need to grow vegetables. He has been able to start growing vegetables like ladyfingers, brinjals, onions and tomatoes, and manages to sell them for profit. The entire operation has been able to create profits upto 5,000 rupees in some months, and after accounting for the seasonality of work, creates an income of 2,500 rupees per month for the family. This has meant a 20 percent contribution to the family's current income is made through Devu's new enterprise.



Devu taking his vegetables for sale

On the other end of the spectrum, Kamali had wanted to start a Kirana store. Her husband however couldn't get as much work as he had been getting, and the family's income fell from 12,000 rupees a month to 9,000 rupees a month. The household couldn't use the money from the returnable grant to start the business they had imagined, even though they continue to repay. Devu and Kamali were both hopeful about new businesses, but only one of them could find success. *Whether it be the unstable availability of work or the unpredictability of agricultural output, particular sources of uncertainty are and shall remain deciding elements. What Devu proves, however, is that there is room for persistence, and that finding ways to make circumstances act in one's favor remains a worthy pursuit.*

SPECIALIZATION AND DELAYING REALIZATION MAKE ROOM FOR GROWING EXPERTISE

Goat farming remains a well established source for establishing stability and wealth generation. While of the houses surveyed post intervention the new enterprises that were started for goat farming have not seen any creation of income, the rearing of goats for prospect of sale continues on. With the help of the cash infusion the returnable grant could give more specialized varieties of goats were also procured, goats that can not only be sold for greater amounts of money but goats that can introduce specialization within the community.



Ganeshi, who was already in the business of selling milk had wanted to procure cows from the state of Punjab. With the cash infusion he got through the returnable grant provision he was helped bringing cows from Punjab for his milk business. The production he was seeing from one cow has gone from 2 liters a day to 17 liters a day, and he sells 85 liters instead of the 20 liters he would sell per day before. What Ganeshi has also had to learn, however, is that animals brought from one environment to the other will need special care and attention towards the replication of the environments they are accustomed to. He has also started thinking about ways to clean out their dung with greater frequency and to make them as comfortable as he can. ***In paying attention to the conditions that yield the greatest output, knowledge and expertise are built that wouldn't be if the injection of more challenging circumstances were to not happen.***

REPURPOSED RESOURCES MAKE GAINS IN VALUE

Ranjan had a small *aata chakki* before, but couldn't process the volumes he saw demand for, and it couldn't process maize at all. He wanted a new *chakki*, and was ready to sell his existing chakki for 10,000 rupees so he could contribute towards the upgrade. He also made arrangements for 20,000 rupees, and together with the returnable grant provision bought a bigger chakki for 70,000 rupees. With increased capacity, he was also ready to start making deliveries to customers who were at greater distances from his place of operation. This meant he would need to be travel to these locations for pick ups and deliveries, but someone still needed to look after customers near his place of operation. When this need for greater capacity arose, Ranjan made a innovative move. His wife, who can't read or write was still available for help. She however couldn't keep track of inventories or dues. Ranjan decided to start labelling deliveries for customers who would be able to come to his place of operation, and would have a list of who had to pay him how much with him when he travelled. When a customer would arrive he would receive a phone call from his wife, she'd tell him who had come to collect, and he'd tell her how much money to take.

Though not yet fully equipped to take on the role she had now been given, his wife was now in a position to acquire new skills and take on responsibility in an arena she would have had no access to otherwise: she was doing customer facing work that involved managing money and inventories at that. In a setting where women are already considered incapable of performing roles men do, this gain in access is not insignificant. With this new method of operation, she brings greater value than she did before.

Similarly, Laxmi Lal had been working as a supervisor in a godown that sells roofing material for two years. He earned 15,000 rupees a month, but was also the earning member in a family of five. With the consent of the owner of the godown, For 2,500 rupees a month Laxmi Lal rented a space in close proximity to the godown. He then bought bags of cement with the returnable grant provision, and began selling cement to anyone who was already visiting the godown and needed supplementary material. He even pays the workers who do loading and unloading work at the godown a nominal per piece rate to help load and unload cement bags. This means they can make additional earnings as well, while he still makes 15 rupees a bag and sells 20 bags a day on average.

Because Laxmi Lal had the agency to redefine his role, he was able to create additional incomes for both himself and the workers at the godown. Simultaneously, the unoccupied property near the godown was now bringing value not just to his and the workers' lives, but to the godown it happened to stand next to as well.

COGNITIVE RELIEF CAN TAKE UNFORSEEN FORMS

Bhura Ram Gameti lives in a region that has particularly steep terrain. This means that tractors cannot get to everyone's fields and deliver manure that is often essential, and the procurement of grass from areas that large vehicles cannot get to is made extremely difficult. What does work for both requirements, however, is a camel. Though the availability of grass is only for 3-4 months, since Bhura Ram's old camel had died he had felt he was missing the opportunity for gains he once had. He made a 30,000 rupee investment on his own, and with a 30,000 rupee infusion through the returnable grant provision, was able to buy a 5 year old camel for 60,000 rupees.

Though many wouldn't place value in capitalizing on the grass Bhura Ram wants to capitalize on or in servicing the fields he now can, the value in the results that are delivered exceeds the money he makes from the enterprise: he also acts towards preserving an old way of engaging with one's surroundings.



Bhura Ram Gameti with his camel

Shankar had worked in marble polishing for 25 years, and had wanted to take on more work than contractors would give him. He'd rent a marble polishing machine from contractors who would own 20-30 machines, and this would cost 700 rupees a month. He'd have access to work, but wouldn't be able to take it on when he couldn't find a contractor who would be willing to give him a machine on rent. Shankar remained eager to maximize the amount of work he was going to be able to do. He'd then have the contractor he was working for rent him a machine, so that he could use the machine from 6 pm until 12 am on projects he took on his own. Because he was responsible for four family members, he couldn't afford to buy a machine on his own. After he received a cash infusion through the returnable grant provision, however, he was able to buy his own machine. Not only can he now seek as much work as possible during the day time, he also has more time to spend with his family in the evenings.

When he worked under a contractor, he recalls, if a personal emergency were to arrive he would have to depend on the contractor's willingness to let him take leave and get to his family. For those who work informally, independence can supply relief from working conditions that are unfair but still part of the terms one must agree to work under.

WAY FORWARD

- Our experience suggests that demand that is created naturally is of immense significance. It is cases where a potential beneficiary is self driven and is already making efforts at building on their instincts for enterprise that aid most effectively leads to the expansion of enterprises. Qualitative findings also suggest that it is in these cases that cognitive relief is the most significant. It remains our goal to focus more and more on such demand. To that end, we aim to pay greater attention to skills based enterprises and to take the time to look for that demand. Further, we also see significant potential in agriculture based enterprises, this is a domain that is not typically seen as being suited for enterprise within the community. With success in the domain, the scope for scaling impact is also significant.
- While the acquisition of capital is essential for the upgradation of the capabilities of an enterprise, the long term effects of the knowledge acquired and efficiencies discovered and realized through such upgradation are yet to be seen among the beneficiaries impacted. We thus see the need to recognize and assess such changes in the coming months.
- With a pool of enterprises attempting upgradation simultaneously, there exists scope for the transfer of knowledge. We want to enable such transfer of skills, and want to use success stories and examples of innovation as we find them in the enterprises impacted within our efforts to provide literacy and further training. Indeed, it is the absence of guidance and training that often makes enterprises fail. Further, we see the space to introduce greater use of digital financial services within the community, and our engagement through this program creates a platform to deliver digital literacy as well.
- With the strong repayment rate that we've seen so far, we remain confident that the circulation of the money from the returnable grant to more and more families will be possible, and that such repayment will help successfully introduce virtuous cycles of repayment and capital infusion within the local community.

PHOTOS FROM THE FIELD



Poonji Lal building a roof



Shankar with his new marble polishing machine



Khana Ram at his repair shop



Dhuliya with his sugarcane machine

CASE STUDIES

Shankar is the only earning member in his family of five and has worked in marble polishing for 25 years. Over the years, he'd begun looking for ways to take on more and more work outside of what his contractor was giving him. He'd rent a marble polishing machine from contractors who would own 20-30 machines, and this would cost 700 rupees a month. It would pay 15-16 rupees per foot, and he'd be able to polish 80-100 feet in a day. He'd have access to work, but wouldn't be able to take it on when he couldn't find a contractor who would be willing to give him a machine on rent. Shankar remained eager to maximize the amount of work he was going to be able to do. He'd then have the contractor he was working for rent him a machine, so that he could use the machine from 6 pm until 12 am on projects he took on his own.

Because he was responsible for four family members, he couldn't afford to buy a machine on his own. After he received a cash infusion through the returnable grant, however, he was able to buy his own machine. The new machine would cost 35,000 rupees, and he had 5,000 rupees saved. Shankar is now able to take on as much work as he can on his own. In his new role, he sees a range of changes in his life. Not only can he now seek as much work as possible during the day time, he also has more time to spend with his family in the evenings. Further, when he worked under a contractor, he recalls, if a personal emergency were to arrive he would have to depend on the contractor's willingness to let him take leave and get to his family. For those who work informally, independence can supply relief from working conditions that are unfair but still part of the terms they must agree to work under in the absence of formal settings. He now wants two new machines that will cost another 4,000 rupees and 7,000 rupees respectively. He also thinks about hiring someone to do some of his work so he can go looking for new work.

Dhuliya is part of a family of six, where two members were earning full time. His two sons would migrate to Ahmedabad to work as house helps, and would each earn 10,000 rupees a month. Before the COVID-19 lockdown, Dhuliya would sell sugarcane juice outside a popular temple. Once the lockdown came into force, however, he had to stop. The machine he used to make the juice also stopped working. Through the returnable grant, he was given a loan worth 30,000 rupees. The popular temple he used to stand outside was also receiving the footfall it did before lockdown. On Saturdays there would be special celebrations at the temple, which would mean he can make around 5,000 rupees selling sugarcane juice during a single Saturday.

Poonji Lal is part of a family of five, and is the only earning member. He works in house construction, and pays 600 rupees a day. Working 25 days a month, he makes 15,000 a month. Given he'd only find work for 10 months in a year, he'd make 12,500 a month. With experience, he was able to make small houses on his own. He needed raw material, and was able to put together enough money to buy material worth 1,00,000 rupees after he received assistance through the returnable grant. While assistance through the returnable grant was for 50,000 rupees, he contributed 35,000 rupees from his own savings, and borrowed another 15,000 rupees from a relative. He's finished the roofs of five houses since he took the material. This has meant a profit of 5,000 rupees per roof.

Devu used to migrate to Ahmedabad to work in construction, but had gradually lost the physical strength to continue to migrate. It is common for this consequence to often arrive by the age of 45 for migrants, who often begin such work around the age of 14. While his son travels to Ahmedabad to work in construction and his wife either takes on NREGA work or cleans other people's fields as and when such work becomes available, the family's monthly income was 9,000 rupees. The family's own field is situated 1 kilometer away from where they stay, and is in scattered pieces. While they grow wheat and corn on their own field, the output is only enough to take care of the family's own needs. Moreover, it was infeasible to grow vegetables in a field that was this far away. Not only do vegetables require repeated care that need multiple visits in a day, they also require consistent surveillance against theft. With the money from the returnable grant, Devu was able to rent a field nearby for five years. He paid 15,000 rupees for this entire period, and used the rest of the 25,000 rupees to procure the raw material he would need to grow vegetables. He has been able to start growing vegetables like ladyfingers, brinjals, onions and tomatoes, and manages to sell them for profit. The entire operation has been able to create profits up to 5,000 rupees in some months, and after accounting for the seasonality of the work, creates an income of 2,500 rupees per month for the family. This has meant a 20 percent contribution to the family's current income is made through Devu's new enterprise.

Ranjan had a small aata chakki before, but couldn't process the volumes he saw demand for, and it couldn't process maize at all. He wanted a new chakki, and was ready to sell his existing chakki for 10,000 rupees so he could contribute towards the upgrade. He also made arrangements for 20,000 rupees, and bought a bigger chakki for 70,000 rupees. Along with a diversification in what he can process, he has gone from processing 50 kilograms a day to 250-300 kilograms a day.

Khana Ram had received the training to be a mechanic at an NGO. He was keen on preparing for a career early on, and received the training during his summer break while he was in 10th grade at school. He then began working at a local motor repairing shop on commission basis, and kept it up for four years. By the end of the four years, he was earning 8,000-9,000 rupees in a month. Once he was able to receive assistance through the returnable grant, he went on to open up a shop of his own.

FUND FLOW

Rough estimation for disbursements and fund utilization:

Timelines	Number of grants delivered to beneficiaries	Amount delivered to beneficiaries (in INR)	Program expenditure (in INR)	Grant amount returned (in INR)	Amount left post expenses (to be used for next phase) - cumulative in INR
Oct-22	30	10,50,000	1,33,000		
Nov-22	30	10,50,000	1,33,000		
Dec-22	30	10,50,000	1,33,000		
Jan-23	30	10,50,000	1,33,000		
Feb-23	-	-	1,33,000		
Mar-23	-	-	1,33,000	2,85,600	
Apr-23	-	-	1,20,000	2,85,600	4,51,200
May-23	-	-	1,20,000	2,85,600	6,16,800
Jun-23	-	-	1,20,000	2,85,600	7,82,400
Jul-23	-	-	1,20,000	2,85,600	9,48,000
Aug-23	-	-	1,20,000	2,85,600	11,13,600
Sep-23	-	-	1,20,000	2,85,600	12,79,200
Oct-23	-	-	1,20,000	2,85,600	14,44,800
Nov-23	-	-	1,20,000	2,85,600	16,10,400
Dec-23	-	-	1,20,000	2,85,600	17,76,000
Jan-24	-	-	1,20,000	2,85,600	19,41,600
Feb-24	-	-	1,20,000	2,85,600	21,07,200
Mar-24	-	-	1,20,000	2,85,600	22,72,800
Apr-24	35	12,25,000	1,20,000	1,66,600	10,94,400
May-24	35	12,25,000	1,20,000	1,66,600	-84,000
Jun-24	-	-	1,00,000	1,66,600	-17,400
Jul-24	-	-	1,00,000	1,66,600	49,200
Aug-24	-	-	1,00,000	1,66,600	1,15,800
Sep-24	-	-	1,00,000	1,66,600	1,82,400
Oct-24	-	-	1,00,000	1,66,600	2,49,000
Nov-24	-	-	1,00,000	1,66,600	3,15,600
Dec-24	-	-	1,00,000	1,66,600	3,82,200
Jan-25	-	-	1,00,000	1,66,600	4,48,800
Feb-25	-	-	1,00,000	1,66,600	5,15,400
Mar-25	-	-	1,00,000	1,66,600	5,82,000
Apr-25	40	14,00,000	1,00,000	95,200	-8,22,800
May-25	-	-	80,000	95,200	-8,07,600
Jun-25	-	-	80,000	95,200	-7,92,400
Jul-25	-	-	80,000	95,200	-7,77,200
Aug-25	-	-	80,000	95,200	-7,62,000
Sep-25	-	-	80,000	95,200	-7,46,800
Oct-25	-	-	80,000	95,200	-7,31,600
Nov-25	-	-	80,000	95,200	-7,16,400
Dec-25	-	-	80,000	95,200	-7,01,200
Jan-26	-	-	80,000	95,200	-6,86,000
Feb-26	-	-	80,000	95,200	-6,70,800
Mar-26	-	-	80,000	95,200	-6,55,600
Total	230	80,50,000	44,58,000	68,54,400	